



ANNUAL STATEMENT  
For the Year Ending December 31, 2005  
OF THE CONDITION AND AFFAIRS OF THE  
CARE CHOICES HMO

NAIC Group Code	0000 (Current Period)	,	0000 (Prior Period)	NAIC Company Code	95452	Employer's ID Number	38-2694901
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States of America						
Licensed as business type:	Life, Accident & Health[ ] Dental Service Corporation[ ] Other[ ]			Property/Casualty[ ] Vision Service Corporation[ ] Is HMO Federally Qualified? Yes[X] No[ ] N/A[ ]		Hospital, Medical & Dental Service or Indemnity[ ] Health Maintenance Organization[X]	
Incorporated/Organized	07/08/1986			Commenced Business	01/01/1987		
Statutory Home Office	34605 Twelve Mile Road (Street and Number)			Farmington Hills, MI 48331 (City, or Town, State and Zip Code)			
Main Administrative Office	34605 Twelve Mile Road (Street and Number)						
	Farmington Hills, MI 48331 (City or Town, State and Zip Code)			(248)489-6292 (Area Code) (Telephone Number)			
Mail Address	34605 Twelve Mile Road (Street and Number or P.O. Box)			Farmington Hills, MI 48331 (City, or Town, State and Zip Code)			
Primary Location of Books and Records	34605 Twelve Mile Road (Street and Number)						
	Farmington Hills, MI 48331 (City, or Town, State and Zip Code)			(248)489-6292 (Area Code) (Telephone Number)			
Internet Website Address	www.carechoices.com						
Statutory Statement Contact	Donna J. West (Name)			(248)489-6292 (Area Code)(Telephone Number)(Extension)			
	WESTD@trinity-health.org (E-Mail Address)			(248)489-6191 (Fax Number)			
Policyowner Relations Contact							
				(Street and Number)			
				(City, or Town, State and Zip Code)			
				(Area Code) (Telephone Number)(Extension)			

OFFICERS

Name	Title
William R. Alvin	President (and CEO)
Jeanne M. Dunk	Secretary
Michael R. Koziara	Treasurer (CFO)
Gilbert Burgos MD	Chief Medical Officer

OTHERS

DIRECTORS OR TRUSTEES

William R. Alvin	Jay Herron	Paul Harkaway MD
Ronald Collins	Michael Slubowski	Kevin McDonald
Paul Hughes-Cromwick	AkkeNeel Talsma	Garry Faja
Diane Dabrowski	Rev. Anne Glass Bump	Kalyan Dutta
M. Narendra Kini MD	Eileen Wroblewski CSC	

State of Michigan  
County of Oakland ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
William R. Alvin	Jeanne M. Dunk	Michael R. Koziara
(Printed Name)	(Printed Name)	(Printed Name)
President ( and Chief Executive Officer)	Secretary	Treasurer (Chief Financial Officer)
(Title)	(Title)	(Title)

Subscribed and sworn to before me this  
day of , 2006

a. Is this an original filing?  
b. If no, 1. State the amendment number  
2. Date filed  
3. Number of pages attached

Yes[X] No[ ]

(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D) .....				
2.	Stocks (Schedule D)				
2.1	Preferred stocks .....				
2.2	Common Stocks .....				
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens .....				
3.2	Other than first liens .....				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$..... encumbrances) .....				
4.2	Properties held for the production of income (less \$..... encumbrances) .....				
4.3	Properties held for sale (less \$..... encumbrances) .....				
5.	Cash (\$.....53,726,778 Schedule E Part 1), cash equivalents (\$..... Schedule E Part 2) and short-term investments (\$.....8,763,423 Schedule DA) .....	62,490,200		62,490,200	61,571,436
6.	Contract loans (including \$..... premium notes) .....				
7.	Other invested assets (Schedule BA) .....				
8.	Receivables for securities .....				
9.	Aggregate write-ins for invested assets .....				
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....	62,490,200		62,490,200	61,571,436
11.	Title plants less \$..... charged off (for Title insurers only) .....				
12.	Investment income due and accrued .....	293,931		293,931	853,072
13.	Premiums and considerations				
13.1	Uncollected premiums and agents' balances in the course of collection .....	7,236,588		7,236,588	1,516,138
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$..... earned but unbilled premiums) .....				
13.3	Accrued retrospective premiums .....				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers .....	396,145		396,145	132,731
14.2	Funds held by or deposited with reinsured companies .....				
14.3	Other amounts receivable under reinsurance contracts .....				
15.	Amounts receivable relating to uninsured plans .....				
16.1	Current federal and foreign income tax recoverable and interest thereon .....				
16.2	Net deferred tax asset .....				
17.	Guaranty funds receivable or on deposit .....				
18.	Electronic data processing equipment and software .....				
19.	Furniture and equipment, including health care delivery assets (\$.....) .....				
20.	Net adjustment in assets and liabilities due to foreign exchange rates .....				
21.	Receivables from parent, subsidiaries and affiliates .....				
22.	Health care (\$.....) and other amounts receivable .....	2,156,432		2,156,432	2,507,145
23.	Aggregate write-ins for other than invested assets .....				
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	72,573,296		72,573,296	66,580,523
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26.	Total (Lines 24 and 25) .....	72,573,296		72,573,296	66,580,523
DETAILS OF WRITE-INS					
0901	.....				
0902	.....				
0903	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page .....				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....				
2301.	.....				
2302.	.....				
2303	.....				
2398.	Summary of remaining write-ins for Line 23 from overflow page .....				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....				

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded) .....	26,921,917		26,921,917	24,655,822
2.	Accrued medical incentive pool and bonus amounts .....	1,096,278		1,096,278	3,323,802
3.	Unpaid claims adjustment expenses .....	550,420		550,420	459,187
4.	Aggregate health policy reserves .....				
5.	Aggregate life policy reserves .....				
6.	Property/casualty unearned premium reserves .....				
7.	Aggregate health claim reserves .....				
8.	Premiums received in advance .....	3,357,651		3,357,651	3,863,443
9.	General expenses due or accrued .....	447,758		447,758	380,230
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses)) .....				
10.2	Net deferred tax liability .....				
11.	Ceded reinsurance premiums payable .....				
12.	Amounts withheld or retained for the account of others .....				
13.	Remittance and items not allocated .....				
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current) .....				
15.	Amounts due to parent, subsidiaries and affiliates .....				
16.	Payable for securities .....				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers) .....				
18.	Reinsurance in unauthorized companies .....				
19.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
20.	Liability for amounts held under uninsured accident and health plans .....				
21.	Aggregate write-ins for other liabilities (including \$..... current) .....				
22.	Total liabilities (Lines 1 to 21) .....	32,374,024		32,374,024	32,682,483
23.	Aggregate write-ins for special surplus funds .....	X X X	X X X		
24.	Common capital stock .....	X X X	X X X		
25.	Preferred capital stock .....	X X X	X X X		
26.	Gross paid in and contributed surplus .....	X X X	X X X	16,500,000	16,500,000
27.	Surplus notes .....	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
29.	Unassigned funds (surplus) .....	X X X	X X X	23,699,272	17,398,040
30.	Less treasury stock, at cost:				
30.1	..... shares common (value included in Line 24 \$.....) .....	X X X	X X X		
30.2	..... shares preferred (value included in Line 25 \$.....) .....	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30) .....	X X X	X X X	40,199,272	33,898,040
32.	Total Liabilities, capital and surplus (Lines 22 and 31) .....	X X X	X X X	72,573,296	66,580,523
DETAILS OF WRITE-INS					
2101.	.....				
2102.	.....				
2103	.....				
2198.	Summary of remaining write-ins for Line 21 from overflow page .....				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....				
2301	.....	X X X	X X X		
2302	.....	X X X	X X X		
2303	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page .....	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	X X X	X X X		
2801	.....	X X X	X X X		
2802	.....	X X X	X X X		
2803	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page .....	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above) .....	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months .....	X X X .....	1,217,882	1,233,972
2.	Net premium income (including \$..... non-health premium income) .....	X X X .....	296,014,942	277,400,057
3.	Change in unearned premium reserves and reserve for rate credits .....	X X X .....		
4.	Fee-for-service (net of \$..... medical expenses) .....	X X X .....		
5.	Risk revenue .....	X X X .....		
6.	Aggregate write-ins for other health care related revenues .....	X X X .....		
7.	Aggregate write-ins for other non-health revenues .....	X X X .....		
8.	Total revenues (Lines 2 to 7) .....	X X X .....	296,014,942	277,400,057
Hospital and Medical:				
9.	Hospital/medical benefits .....		199,834,929	183,496,128
10.	Other professional services .....			
11.	Outside referrals .....			
12.	Emergency room and out-of-area .....		11,672,745	10,407,917
13.	Prescription drugs .....		49,292,001	48,275,375
14.	Aggregate write-ins for other hospital and medical .....			
15.	Incentive pool, withhold adjustments and bonus amounts .....		4,289,485	4,690,992
16.	Subtotal (Lines 9 to 15) .....		265,089,160	246,870,412
Less:				
17.	Net reinsurance recoveries .....		755,353	700,590
18.	Total hospital and medical (Lines 16 minus 17) .....		264,333,807	246,169,822
19.	Non-health claims (net) .....			
20.	Claims adjustment expenses, including \$..... 1,088,144 cost containment expenses .....		3,431,946	3,414,860
21.	General administrative expenses .....		28,035,643	27,727,407
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) .....			
23.	Total underwriting deductions (Lines 18 through 22) .....		295,801,396	277,312,089
24.	Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X .....	213,546	87,968
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17) .....		1,887,168	537,826
26.	Net realized capital gains (losses) less capital gains tax of \$.....			8,731
27.	Net investment gains (losses) (Lines 25 plus 26) .....		1,887,168	546,557
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] .....			
29.	Aggregate write-ins for other income or expenses .....		4,196,722	2,859,704
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X .....	6,297,436	3,494,229
31.	Federal and foreign income taxes incurred .....	X X X .....		
32.	Net income (loss) (Lines 30 minus 31) .....	X X X .....	6,297,436	3,494,229
DETAILS OF WRITE-INS				
0601	.....	X X X .....		
0602	.....	X X X .....		
0603	.....	X X X .....		
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	X X X .....		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X .....		
0701	.....	X X X .....		
0702	.....	X X X .....		
0703	.....	X X X .....		
0798.	Summary of remaining write-ins for Line 7 from overflow page .....	X X X .....		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above) .....	X X X .....		
1401.	.....			
1402	.....			
1403	.....			
1498.	Summary of remaining write-ins for Line 14 from overflow page .....			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....			
2901.	Supplemental Interest Income .....		4,196,722	2,859,704
2902.	.....			
2903	.....			
2998.	Summary of remaining write-ins for Line 29 from overflow page .....			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above) .....		4,196,722	2,859,704

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year .....	33,898,040	30,407,607
GAINS AND LOSSES TO CAPITAL & SURPLUS			
34.	Net income or (loss) from Line 32 .....	6,297,436	3,494,229
35.	Change in valuation basis of aggregate policy and claim reserves .....		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....		
37.	Change in net unrealized foreign exchange capital gain or (loss) .....		
38.	Change in net deferred income tax .....		
39.	Change in nonadmitted assets .....	3,796	(3,796)
40.	Change in unauthorized reinsurance .....		
41.	Change in treasury stock .....		
42.	Change in surplus notes .....		
43.	Cumulative effect of changes in accounting principles .....		
44.	Capital Changes:		
44.1	Paid in .....		
44.2	Transferred from surplus (Stock Dividend) .....		
44.3	Transferred to surplus .....		
45.	Surplus adjustments:		
45.1	Paid in .....		
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....		
47.	Aggregate write-ins for gains or (losses) in surplus .....		
48.	Net change in capital and surplus (Lines 34 to 47) .....	6,301,232	3,490,433
49.	Capital and surplus end of reporting year (Line 33 plus 48) .....	40,199,272	33,898,040
DETAILS OF WRITE-INS			
4701	.....		
4702	.....		
4703	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance .....	289,788,700	278,868,055
2.	Net investment income .....	2,446,309	798,464
3.	Miscellaneous income .....		
4.	Total (Lines 1 through 3) .....	292,235,009	279,666,519
5.	Benefit and loss related payments .....	264,558,650	242,752,921
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	27,112,106	28,267,805
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses) .....		
10.	Total (Lines 5 through 9) .....	291,670,756	271,020,726
11.	Net cash from operations (Line 4 minus 10) .....	564,253	8,645,793
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....		13,735,807
12.2	Stocks .....		
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7	Miscellaneous proceeds .....		
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....		13,735,807
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....		8,593,989
13.2	Stocks .....		
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....		93,866
13.7	Total investments acquired (Lines 13.1 to 13.6) .....		8,687,855
14.	Net increase (decrease) in contract loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....		5,047,952
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....		
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....	354,511	(857,247)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	354,511	(857,247)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	918,764	12,836,498
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year .....	61,571,436	48,734,938
19.2	End of year (Line 18 plus Line 19.1) .....	62,490,200	61,571,436

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001	.....		
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## (Gain and Loss Exhibit)

[illegible]

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 1 - PREMIUMS**

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical) .....	297,135,394		1,120,451	296,014,942
2.	Medicare Supplement .....				
3.	Dental only .....				
4.	Vision only .....				
5.	Federal Employee Health Benefits Plan .....				
6.	Title XVIII - Medicare .....				
7.	Title XIX - Medicaid .....				
8.	Stop loss .....				
9.	Disability income .....				
10.	Long-term care .....				
11.	Other health .....				
12.	Health subtotal (Lines 1 through 11) .....	297,135,394		1,120,451	296,014,942
13.	Life .....				
14.	Property/casualty .....				
15.	TOTALS (Lines 12 to 14) .....	297,135,394		1,120,451	296,014,942



**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2 - Claims Incurred During the Year**

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct .....	258,442,348	258,442,348											
1.2 Reinsurance assumed .....													
1.3 Reinsurance ceded .....													
1.4 Net .....	258,442,348	258,442,348											
2. Paid medical incentive pools and bonuses .....	6,517,009	6,517,009											
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct .....	26,921,917	26,921,917											
3.2 Reinsurance assumed .....													
3.3 Reinsurance ceded .....													
3.4 Net .....	26,921,917	26,921,917											
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct .....													
4.2 Reinsurance assumed .....													
4.3 Reinsurance ceded .....													
4.4 Net .....													
5. Accrued medical incentive pools and bonuses, current year .....	1,096,278	1,096,278											
6. Net healthcare receivables (a) .....													
7. Amounts recoverable from reinsurers December 31, current year .....	396,145	396,145											
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct .....	24,655,822	24,655,822											
8.2 Reinsurance assumed .....													
8.3 Reinsurance ceded .....													
8.4 Net .....	24,655,822	24,655,822											
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct .....													
9.2 Reinsurance assumed .....													
9.3 Reinsurance ceded .....													
9.4 Net .....													
10. Accrued medical incentive pools and bonuses, prior year .....	3,323,802	3,323,802											
11. Amounts recoverable from reinsurers December 31, prior year .....	132,731	132,731											
12. Incurred benefits:													
12.1 Direct .....	260,708,443	260,708,443											
12.2 Reinsurance assumed .....													
12.3 Reinsurance ceded .....	263,414	263,414											
12.4 Net .....	260,445,029	260,445,029											
13. Incurred medical incentive pools and bonuses .....	4,289,485	4,289,485											

(a) Excludes \$...... loans or advances to providers not yet expensed.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A - Claims Liability End of Current Year

[illegible]

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE**

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
Line of Business							
1.	Comprehensive (hospital and medical) .....	21,265,824	236,421,171	140,294	26,781,623	21,406,118	24,655,822
2.	Medicare Supplement .....						
3.	Dental only .....						
4.	Vision only .....						
5.	Federal Employees Health Benefits Plan .....						
6.	Title XVIII - Medicare .....						
7.	Title XIX - Medicaid .....						
8.	Other health .....						
9.	Health subtotal (Lines 1 to 8) .....	21,265,824	236,421,171	140,294	26,781,623	21,406,118	24,655,822
10.	Healthcare receivables (a) .....						
11.	Other non-health .....						
12.	Medical incentive pool and bonus amounts .....	3,323,802	3,193,207		1,096,278	3,323,802	3,323,802
13.	TOTALS (Lines 9 - 10 + 11 + 12) .....	24,589,626	239,614,378	140,294	27,877,901	24,729,920	27,979,624

(a) Excludes \$...... loans or advances to providers not yet expensed.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**

**Grand Total**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	24,341	460	(21)	(4)	
2.	2001 .....	210,014	23,039	621	(23)	
3.	2002 .....	X X X	226,972	25,996	75	
4.	2003 .....	X X X	X X X	195,576	20,518	
5.	2004 .....	X X X	X X X	X X X	221,281	21,266
6.	2005 .....	X X X	X X X	X X X	X X X	236,421

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	26,713	480	(18)	(4)	
2.	2001 .....	231,380	25,401	621	(23)	
3.	2002 .....	X X X	250,073	27,916	75	
4.	2003 .....	X X X	X X X	217,739	21,696	
5.	2004 .....	X X X	X X X	X X X	244,758	21,406
6.	2005 .....	X X X	X X X	X X X	X X X	263,203

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1.	2001 .....	258,628	233,381			233,381	90.238			233,381	90.238
2.	2002 .....	286,442	253,043	3,403	1.345	256,446	89.528			256,446	89.528
3.	2003 .....	256,362	216,094	1,910	0.884	218,004	85.038		423	218,427	85.203
4.	2004 .....	279,276	242,547	3,318	1.368	245,865	88.037	140	459	246,464	88.251
5.	2005 .....	297,135	236,421	3,432	1.452	239,853	80.722	27,878	550	268,281	90.289

12 Total

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**

**Hospital and Medical**  
**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	18,422	245	(19)	(4)	
2.	2001 .....	200,254	21,528	488	(23)	
3.	2002 .....	X X X	218,402	25,628	75	
4.	2003 .....	X X X	X X X	195,521	20,518	
5.	2004 .....	X X X	X X X	X X X	221,281	21,266
6.	2005 .....	X X X	X X X	X X X	X X X	236,421

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	20,203	243	(17)	(4)	
2.	2001 .....	219,926	23,347	488	(23)	
3.	2002 .....	X X X	241,261	27,477	75	
4.	2003 .....	X X X	X X X	217,684	21,696	
5.	2004 .....	X X X	X X X	X X X	244,758	21,406
6.	2005 .....	X X X	X X X	X X X	X X X	263,203

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1.	2001 .....	245,497	221,977			221,977	90.419			221,977	90.419
2.	2002 .....	277,079	244,105	3,403	1.394	247,508	89.328			247,508	89.328
3.	2003 .....	256,358	216,039	1,910	0.884	217,949	85.017		423	218,372	85.182
4.	2004 .....	279,276	242,547	3,318	1.368	245,865	88.037	140	459	246,464	88.251
5.	2005 .....	297,135	236,421	3,432	1.452	239,853	80.722	27,878	550	268,281	90.289

12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP . . . . .	NONE

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**

**Title XVIII - Medicare**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	3,420	198			
2.	2001 .....					
3.	2002 .....	X X X				
4.	2003 .....	X X X	X X X			
5.	2004 .....	X X X	X X X	X X X		
6.	2005 .....	X X X	X X X	X X X	X X X	

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	3,690	220	2		
2.	2001 .....					
3.	2002 .....	X X X				
4.	2003 .....	X X X	X X X			
5.	2004 .....	X X X	X X X	X X X		
6.	2005 .....	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	2001 .....	106									
2.	2002 .....										
3.	2003 .....										
4.	2004 .....										
5.	2005 .....										

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**

**Title XIX - Medicaid**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	2,499	17	(2)		
2.	2001 .....	9,760	1,511	133		
3.	2002 .....	X X X	8,570	368		
4.	2003 .....	X X X	X X X	55		
5.	2004 .....	X X X	X X X	X X X		
6.	2005 .....	X X X	X X X	X X X	X X X	

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	2,820	17	(3)		
2.	2001 .....	11,454	2,054	133		
3.	2002 .....	X X X	8,812	439		
4.	2003 .....	X X X	X X X	55		
5.	2004 .....	X X X	X X X	X X X		
6.	2005 .....	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	2001 .....	13,025	11,404			11,404	87.555			11,404	87.555
2.	2002 .....	9,363	8,938			8,938	95.461			8,938	95.461
3.	2003 .....	4	55			55	1,387.250			55	1,387.250
4.	2004 .....										
5.	2005 .....										



**12      Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other ..... NONE**

**12      Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other ..... NONE**

**12      Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other ..... NONE**

**13      Underwriting Invest Exh Pt 2D - A & H Reserve ..... NONE**

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 3 - ANALYSIS OF EXPENSES**

		Claim Adjustment Expenses		3	4	5
		1	2			
		Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$..... for occupancy of own building) .....					
2.	Salaries, wages and other benefits .....	1,696,846		14,375,261		16,072,107
3.	Commissions (less \$..... ceded plus \$..... assumed) .....					
4.	Legal fees and expenses .....	158,206		59,156		217,362
5.	Certifications and accreditation fees .....					
6.	Auditing, actuarial and other consulting services .....	22,125		304,772		326,897
7.	Traveling expenses .....			237,274		237,274
8.	Marketing and advertising .....			2,304,317		2,304,317
9.	Postage, express and telephone .....			501,995		501,995
10.	Printing and office supplies .....	220,206		401,485		621,691
11.	Occupancy, depreciation and amortization .....	101,420		2,189,410		2,290,830
12.	Equipment .....			56,689		56,689
13.	Cost or depreciation of EDP equipment and software .....					
14.	Outsourced services including EDP, claims, and other services .....	1,100,327		5,462,227		6,562,554
15.	Boards, bureaus and association fees .....			315,292		315,292
16.	Insurance, except on real estate .....					
17.	Collection and bank service charges .....					
18.	Group service and administration fees .....					
19.	Reimbursements by uninsured accident and health plans .....					
20.	Reimbursements from fiscal intermediaries .....					
21.	Real estate expenses .....					
22.	Real estate taxes .....					
23.	Taxes, licenses and fees:					
23.1	State and local insurance taxes .....					
23.2	State premium taxes .....					
23.3	Regulator authority licenses and fees .....					
23.4	Payroll taxes .....	132,816		1,189,120		1,321,936
23.5	Other (excluding federal income and real estate taxes) .....			70,169		70,169
24.	Investment expenses not included elsewhere .....			568,477		568,477
25.	Aggregate write-ins for expenses .....					
26.	Total expenses incurred (Lines 1 to 25) .....	3,431,946		28,035,643		(a) ... 31,467,589
27.	Less expenses unpaid December 31, current year .....	550,419		447,758		998,177
28.	Add expenses unpaid December 31, prior year .....	459,187		380,230		839,417
29.	Amounts receivable relating to uninsured accident and health plans, prior year .....					
30.	Amounts receivable relating to uninsured accident and health plans, current year .....					
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) ..	3,340,714		27,968,115		31,308,829
DETAILS OF WRITE-INS						
2501	.....					
2502	.....					
2503	.....					
2598.	Summary of remaining write-ins for Line 25 from overflow page .....					
2599.	Totals (Lines 2501 through 2503 + 2598)(Line 25 above) .....					

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds .....	(a)..... 23,863	..... 25,391
1.1	Bonds exempt from U.S. tax .....	(a).....	.....
1.2	Other bonds (unaffiliated) .....	(a).....	.....
1.3	Bonds of affiliates .....	(a).....	.....
2.1	Preferred stocks (unaffiliated) .....	(b).....	.....
2.11	Preferred stocks of affiliates .....	(b).....	.....
2.2	Common stocks (unaffiliated) .....		
2.21	Common stocks of affiliates .....		
3.	Mortgage loans .....	(c).....	
4.	Real estate .....	(d).....	
5.	Contract loans .....		
6.	Cash, cash equivalents and short-term investments .....	(e)..... 1,740,491	..... 1,861,777
7.	Derivative instruments .....	(f).....	.....
8.	Other invested assets .....		.....
9.	Aggregate write-ins for investment income .....		.....
10.	Total gross investment income .....	..... 1,764,354	..... 1,887,168
11.	Investment expenses .....		(g).....
12.	Investment taxes, licenses and fees, excluding federal income taxes .....		(g).....
13.	Interest expense .....		(h).....
14.	Depreciation on real estate and other invested assets .....		(i).....
15.	Aggregate write-ins for deductions from investment income .....		.....
16.	Total deductions (Lines 11 through 15) .....		.....
17.	Net Investment income (Line 10 minus Line 16) .....		..... 1,887,168
DETAILS OF WRITE-INS			
0901	.....	.....	.....
0902	.....	.....	.....
0903	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....
1501	.....	.....	.....
1502	.....	.....	.....
1503	.....	.....	.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....	.....	.....
(a) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.			
(b) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued dividends on purchases.			
(c) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.			
(d) Includes \$..... for company's occupancy of its own buildings; and excludes \$..... interest on encumbrances.			
(e) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.			
(f) Includes \$..... accrual of discount less \$..... amortization of premium.			
(g) Includes \$..... investment expenses and \$..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.			
(h) Includes \$..... interest on surplus notes and \$..... interest on capital notes.			
(i) Includes \$..... depreciation on real estate and \$..... depreciation on other invested assets.			

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds .....				
1.1	Bonds exempt from U.S. tax .....				
1.2	Other bonds (unaffiliated) .....				
1.3	Bonds of affiliates .....				
2.1	Preferred stocks (unaffiliated) .....				
2.11	Preferred stocks of affiliates .....				
2.2	Common stocks (unaffiliated) .....				
2.21	Common stocks of affiliates .....				
3.	Mortgage loans .....				
4.	Real estate .....				
5.	Contract loans .....				
6.	Cash, cash equivalents and short-term investments .....				
7.	Derivative instruments .....				
8.	Other invested assets .....				
9.	Aggregate write-ins for capital gains (losses) .....				
10.	Total capital gains (losses) .....				
DETAILS OF WRITE-INS					
0901	.....	.....	.....	.....	.....
0902	.....	.....	.....	.....	.....
0903	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....	.....	.....

NONE

**EXHIBIT OF NONADMITTED ASSETS**

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D) .....			
2.	Stocks (Schedule D):			
2.1	Preferred stocks .....			
2.2	Common stocks .....			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens .....			
3.2	Other than first liens .....			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company .....			
4.2	Properties occupied for the production of income .....			
4.3	Properties held for sale .....			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) .....			
6.	Contract loans .....			
7.	Other invested assets (Schedule BA) .....			
8.	Receivables for securities .....			
9.	Aggregate write-ins for invested assets .....			
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....			
11.	Title plants (for Title insurers only) .....			
12.	Invested income due and accrued .....			
13.	Premium and considerations:			
13.1	Uncollected premiums and agents' balances in the course of collection .....			
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			
13.3	Accrued retrospective premiums .....			
14.	Reinsurance:			
14.1	Amounts recoverable from reinsurers .....			
14.2	Funds held by or deposited with reinsured companies .....			
14.3	Other amounts receivable under reinsurance contracts .....			
15.	Amounts receivable relating to uninsured plans .....			
16.1	Current federal and foreign income tax recoverable and interest thereon .....			
16.2	Net deferred tax asset .....			
17.	Guaranty funds receivable or on deposit .....			
18.	Electronic data processing equipment and software .....			
19.	Furniture and equipment, including health care delivery assets .....			
20.	Net adjustment in assets and liabilities due to foreign exchange rates .....			
21.	Receivable from parent, subsidiaries and affiliates .....			
22.	Health care and other amounts receivable .....		3,796	3,796
23.	Aggregate write-ins for other than invested assets .....			
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....		3,796	3,796
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
26.	Total (Lines 24 and 25) .....		3,796	3,796
<b>DETAILS OF WRITE-INS</b>				
0901	.....			
0902	.....			
0903	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page .....			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....			
2301	.....			
2302	.....			
2303	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page .....			
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....			

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations .....	102,752	101,471	102,600	101,183	100,504	1,217,882
2.	Provider Service Organizations .....						
3.	Preferred Provider Organizations .....						
4.	Point of Service .....						
5.	Indemnity Only .....						
6.	Aggregate write-ins for other lines of business .....						
7.	TOTAL .....	102,752	101,471	102,600	101,183	100,504	1,217,882
DETAILS OF WRITE-INS							
0601	.....						
0602	.....						
0603	.....						
0698.	Summary of remaining write-ins for Line 6 from overflow page .....						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....						

## Notes to Financial Statement

**1. Summary of Significant Accounting Policies:**

Cash and Cash Equivalents for purpose of the statements of cash flows are certificates of deposit, U.S. Government securities, commercial paper, repurchase agreements, corporate bonds and notes, and other short-term investments with original maturities of less than three months.

Investments - Investments are reported at cost adjusted for amortization of premiums or discounts using the scientific (constant yield) interest method.

Premium Revenue - Enrollee contracts are negotiated on a yearly basis. Premium are due monthly and are recognized as revenue during the period in which Care Choices is obligated to provide services to its enrollees. Premiums received prior to the period of coverage are reported as unearned premium revenue.

Investment Income - Investment income on cash, cash equivalents and marketable securities are recorded in these financial statements at the rate earned.

Medical Expenses - The liability for claims payable is accrued in the period such services are provided and include estimates of services performed which have not been billed to Care Choices and losses on existing contracts related to the excess of expected future health care costs over anticipated future premiums. The method of making such estimates and for establishing the resulting liability is continually reviewed and updated, and any adjustment resulting therefrom are reflected in the activities expenses currently. Actual results could differ from these estimates.

Income (Loss) from Operations - The statement of operations includes income (loss) from operations. Changes in unrestricted net assets, which are excluded from income from operations, consistent with industry practice, include unrealized gains and losses on investments and permanent transfers of assets to and from affiliates for other than goods and services.

**2A. Accounting Changes and Corrections of Errors:**

The accompanying financial statements have been prepared in conformity with the NAIC Annual Statement Instructions and Accounting Policies and Procedures except for the following item, which caused surplus to be increased by \$ 4,196,722. The Company received approval from the Office Of Financial and Insurance Services of the State of Michigan ("OFIS") to record as other income a contribution of investment income allocated to the Company from Trinity Health of \$4,196,722 as a permitted practice. This permitted practice has been granted to the Company until further notice by OFIS.

**3. Business Combinations and Goodwill:**

Not Applicable

**4. Discontinued Operations:**

No Change

**5. Investments:**

Not Applicable

**6. Joint Ventures, Partnerships and Limited Liability Companies:**

Not Applicable

**7. Investment Income:**

Not Applicable

**8. Derivative Instruments:**

Not Applicable

**9. Income Taxes:**

Care Choices, a Michigan not-for-profit corporation, is an organization described in the Internal Revenue Code (IRC) Section 501 (c) (4) and as such is exempt from Federal income taxes under Section 501(a) of the IRS.

**10. Information Concerning Parent, Subsidiaries and Affiliates:**

Care Choices has an administrative services agreement with Trinity Health Plans, a subsidiary of Trinity Health, whereby Trinity Health Plans pays all salaries and provides all

## Notes to Financial Statement

administrative services to Care Choices. Under the terms of the administrative services agreement, Care Choices was charged approximately \$30,106,503 and \$29,875,228 for the years ended December 31, 2005 and 2004, respectively. Administrative fees are charged based on a per member per month basis.

For the years ended December 31, 2005, and 2004, Care Choices recorded premium revenue of approximately \$31,253,540 and \$27,793,964, respectively, attributable to Care Choices' affiliates.

Medical expenses paid to affiliates of Care Choices for the delivery of health care services totaled approximately \$67,182,382 and \$65,255,636 during 2005 and 2004, respectively.

**11. Debt:**

Not applicable

**12. Retirement Plans, Deferred Compensations, Post employment Benefits and Compensated Absences and Other Postretirement Benefit Plans:**

Not Applicable- Care Choices does not have any employees

**13. Capital and Surplus, Shareholders', Dividends Restrictions and Quasi-Reorganizations:**

Care Choices is a non-profit organization and cannot pay dividends.

**14. Contingencies:**

Under the terms of its contracts with providers, Care Choices is subject to audits of claims processed and arbitration and dispute resolution processes. Such audits and processes encompass the accuracy of the claims paid and the application of the various contract terms. Care Choices records and estimated amount for the resolution of such matters. Settlements of such matters are not expected to have a material adverse effect on Care Choices' financial position or results from operations.

Care Choices is involved in litigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on Care Choices future financial position or results of operations.

**15. Leases:**

Care Choices does not have any material leases.

**16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk:**

Not Applicable

**17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities:**

Not Applicable

**18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans:**

Not Applicable

**19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators:**

Not Applicable

**20. September 11 Events:**

None

**21. Other Items:**

None

**22. Events Subsequent:**

None

**23. Reinsurance:**

Reinsurance recoveries are stated at their net realizable amount.

Notes to Financial Statement

**24. Retrospectively Rated Contracts & Contracts Subject to Redetermination:**  
None

**25. Change in Incurred Claims and Claim Adjustment Expenses:**  
During the year, Care Choices revised estimates and made payments relating to medical and hospital services rendered in the prior year in amounts different from those previously estimated. These changes in accounting estimates resulting in a reduction in reserves of medical and hospital expenses of approximately \$ 3,249,704 in 2005.

**26. Intercompany Pooling Arrangements:**  
None

**27. Structured Settlements:**  
Not Applicable

**28. Health Care Receivables:**

Pharmaceutical rebate receivables are estimated quarterly based solely upon actual prescriptions filled. Any adjustments to previously billed amounts are reflected as increases or decreases to prescription drug expenses on the statements of revenue, expenses, and changes in net worth. Evaluation of the collectibility of these receivables is made periodically and uncollectible amounts are written off and charged against income in the period the determination is made. The balance as of December 31, 2005, 2004 and 2003, and the quarters therein, along with invoiced and received amounts, is detailed as follows:

Qtr	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoiced or Confirmed	Actual Pharmacy Rebates Received within 90 Days of Billing	Actual Pharmacy Rebates Received within 91 to 180 Days of Billing	Actual Pharmacy Rebates Received More Than 180 Days after Billing
12/31/2005	1,911,078	881,688	-	-	-
09/30/2005	1,930,573	1,804,629	979,847	-	-
06/30/2005	2,071,763	2,132,559	2,292,302	5,841	-
03/31/2005	1,486,663	1,554,335	1,673,914	70,666	-
12/31/2004	1,617,871	1,833,888	1,261,106	519,855	-
09/30/2004	1,591,851	1,656,377	814,864	815,890	2,698
06/30/2004	1,716,591	1,698,525	874,324	751,175	2,698
03/31/2004	1,570,312	1,725,564	813,300	875,887	57,818
12/31/2003	1,619,995	863,351	666,131	-	-
09/30/2003	1,828,732	721,298	339,719	-	-
06/30/2003	964,774	760,218	1,318,120	-	-
03/31/2003	1,352,177	1,031,329	878,725	-	-

Risk sharing receivables are estimated based upon actual financial performance of the contracted provider over a 12-month claim experience period. A factor for incurred but not reported claims is considered in the estimation process. The actual risk sharing balance is determined and billed within six months subsequent to the calendar year reporting period and immediately recognized as an increase or decrease to incentive pool and withhold adjustment expense. A review of all risk sharing receivables is conducted quarterly to determine collectibility. In the event that a risk sharing receivable is determined to be uncollectible, it is written off and charged to income in the period that the determination is made. The balance as of December 31, 2005, 2004 and 2003, along with invoiced and received amounts, is detailed as follows:



**Notes to Financial Statement**

Calendar Year Ended	Risk Sharing Receivable as Estimated and Reported in the Prior Year	Risk Sharing Receivable as Estimated and Reported in the Current Year	Risk Sharing Receivable Invoiced	Risk Sharing Receivable not Invoiced	Actual Risk Sharing Amounts Collected
12/31/2005	29,710	2,038	29,710	2,038	27,710
12/31/2004	27,903	29,710	27,903	29,710	27,903
12/31/2003	163,966	27,903	27,903	-	136,063

**29. Participating Policies:**  
None

**30. Premium Deficiency Reserves:**  
None

**31. Anticipated Salvage and Subrogation:**  
None

**SUMMARY INVESTMENT SCHEDULE**

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities .....			1,036,509	1.659
1.2	U.S. government agency obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies .....				
1.22	Issued by U.S. government sponsored agencies .....				
1.3	Foreign government (including Canada, excluding mortgage-backed securities) .....				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations .....				
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations .....				
1.43	Revenue and assessment obligations .....				
1.44	Industrial development and similar obligations .....				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Issued or Guaranteed by GNMA .....				
1.512	Issued or Guaranteed by FNMA and FHLMC .....				
1.513	All other .....				
1.52	CMOs and REMICs:				
1.521	Issued or guaranteed by GNMA, FNMA, FHLMC or VA .....				
1.522	Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521 .....				
1.523	All other .....				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....				
2.2	Unaffiliated foreign securities .....				
2.3	Affiliated securities .....				
3.	Equity interests:				
3.1	Investments in mutual funds .....				
3.2	Preferred stocks:				
3.21	Affiliated .....				
3.22	Unaffiliated .....				
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated .....				
3.32	Unaffiliated .....				
3.4	Other equity securities:				
3.41	Affiliated .....				
3.42	Unaffiliated .....				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated .....				
3.52	Unaffiliated .....				
4.	Mortgage loans:				
4.1	Construction and land development .....				
4.2	Agricultural .....				
4.3	Single family residential properties .....				
4.4	Multifamily residential properties .....				
4.5	Commercial loans .....				
4.6	Mezzanine real estate loans .....				
5.	Real estate investments:				
5.1	Property occupied by company .....				
5.2	Property held for production of income (including \$..... of property acquired in satisfaction of debt) .....				
5.3	Property held for sale (including \$..... property acquired in satisfaction of debt) .....				
6.	Contract loans .....				
7.	Receivables for securities .....				
8.	Cash, cash equivalents and short-term investments .....			61,453,691	98.341
9.	Other invested assets .....				
10.	Total invested assets .....			62,490,200	100.000

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**  
**GENERAL**

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[ ] N/A[ ]  
Michigan
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[ ] No[X]
- 2.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2002
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2002
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

02/18/2004
- 3.4 By what department or departments?  
Office of Financial and Insurance Services, State of Michigan
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business?

Yes[ ] No[X]
- 4.12 renewals?

Yes[ ] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business?

Yes[ ] No[X]
- 4.22 renewals?

Yes[ ] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[ ] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement)

Yes[ ] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[ ] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

 %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[ ] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[ ] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
		.. Yes[ ] No[X] ..	.. Yes[ ] No[X] ..	.. Yes[ ] No[X] ..	.. Yes[ ] No[X] ..	.. Yes[ ] No[X] ..

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Deloitte & Touche LLP, 600 Renaissance Center, Suite 900, Detroit, MI 48243-1704
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Steven N. Wander, Deloitte Consulting LLP, 400 One Financial Plaza, 120 South Sixth Street, Minneapolis, MN 55402; actuary associated with Deloitte Consulting LLP
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes[ ] No[X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved
- 11.13 Total book/adjusted carrying value

\$
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes[ ] No[X] N/A[ ]
- 12.3 Have there been any changes made to any of the trust indentures during the year?

Yes[ ] No[ ] N/A[X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes[ ] No[ ] N/A[X]

**GENERAL INTERROGATORIES (Continued)**  
**BOARD OF DIRECTORS**

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes[X] No[ ]
14. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes[X] No[ ]
15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes[X] No[ ]

**FINANCIAL**

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11 To directors or other officers

16.12 To stockholders not officers

16.13 Trustees, supreme or grand (Fraternal only)

\$ .....  
\$ .....  
\$ .....
- 16.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21 To directors or other officers

16.22 To stockholders not officers

16.23 Trustees, supreme or grand (Fraternal only)

\$ .....  
\$ .....  
\$ .....
- 17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes[ ] No[X]
- 17.2 If yes, state the amount thereof at December 31 of the current year:

17.21 Rented from others

17.22 Borrowed from others

17.23 Leased from others

17.24 Other

\$ .....  
\$ .....  
\$ .....  
\$ .....
- 18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes[ ] No[X]
- 18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment

18.22 Amount paid as expenses

18.23 Other amounts paid

\$ .....  
\$ .....  
\$ .....
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[ ] No[X]
- 19.2 If yes, indicate any amounts receivable from parent included in the page 2 amount:

\$ .....

**INVESTMENT**

- 20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes[X] No[ ]
- 20.2 If no, give full and complete information, relating thereto:
- 21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1).

Yes[ ] No[X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Loaned to others

21.22 Subject to repurchase agreements

21.23 Subject to reverse repurchase agreements

21.24 Subject to dollar repurchase agreements

21.25 Subject to reverse dollar repurchase agreements

21.26 Pledged as collateral

21.27 Placed under option agreements

21.28 Letter stock or securities restricted as to sale

21.29 Other

\$ .....  
\$ .....  
\$ .....  
\$ .....  
\$ .....  
\$ .....  
\$ .....  
\$ .....  
\$ .....
- 21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....
- 22.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes[ ] No[X]
- 22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes[ ] No[ ] N/A[X]
- 23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes[ ] No[X]
- 23.2 If yes, state the amount thereof at December 31 of the current year.

\$ .....
24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[ ]
- 24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Comerica Bank .....	P.O. Box 75000, Detroit, MI 48275 .....
The Northern Trust Company .....	50 LaSalle Street, Chicago, IL 60675 .....

- 24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....

- 24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year?

Yes[ ] No[X]
- 24.04 If yes, give full and complete information relating thereto:

**GENERAL INTERROGATORIES (Continued)**

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

24.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository Number(s)	Name	Address

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[ ] No[X]

25.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
25.2999 Total		

25.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation

26. Provide the following information for all short term and long term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds			
26.2 Preferred stocks			
26.3 Totals			

26.4 Describe the sources of methods utilized in determining the fair values

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[X] No[ ]

27.2 If no, list exceptions:

**OTHER**

28.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ .....

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1	2
Name	Amount Paid

29.1 Amount of payments for legal expenses, if any? \$ .....

29.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ .....

30.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

**GENERAL INTERROGATORIES (Continued)**

1 Name	2 Amount Paid
.....	.....

**GENERAL INTERROGATORIES (Continued)**

**PART 2 - HEALTH INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes[ ] No[X]
- 1.2 If yes, indicate premium earned on U.S. business only:

\$ .....
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ .....
- 1.31 Reason for excluding:
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ .....
- 1.6 Individual policies - Most current three years:
- 1.61 Total premium earned

\$ .....
- 1.62 Total incurred claims

\$ .....
- 1.63 Number of covered lives

\$ .....
- All years prior to most current three years:
- 1.64 Total premium earned

\$ .....
- 1.65 Total incurred claims

\$ .....
- 1.66 Number of covered lives

\$ .....
- 1.7 Group policies - Most current three years:
- 1.71 Total premium earned

\$ .....
- 1.72 Total incurred claims

\$ .....
- 1.73 Number of covered lives

\$ .....
- All years prior to most current three years:
- 1.74 Total premium earned

\$ .....
- 1.75 Total incurred claims

\$ .....
- 1.76 Number of covered lives

\$ .....

2. Health Test

		1	2
		Current Year	Prior Year
2.1	Premium Numerator .....	297,135,394	278,337,875
2.2	Premium Denominator .....	297,135,394	278,337,875
2.3	Premium Ratio (2.1 / 2.2) .....	1.000	1.000
2.4	Reserve Numerator .....	28,018,195	27,979,624
2.5	Reserve Denominator .....	28,018,195	27,979,624
2.6	Reserve Ratio (2.4 / 2.5) .....	1.000	1.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes[ ] No[X]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

Yes[X] No[ ]
- 4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[ ] No[X]
- 5.1 Does the reporting entity have stop-loss reinsurance?

Yes[X] No[ ]
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions):
- 5.31 Comprehensive Medical

\$ ..... 150,000
- 5.32 Medical Only

\$ .....
- 5.33 Medicare Supplement

\$ .....
- 5.34 Dental

\$ .....
- 5.35 Other Limited Benefit Plan

\$ .....
- 5.36 Other

\$ .....
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
The State of Michigan requires "hold harmless" language in all Provider contracts. Our reinsurance coverage provides for insolvency by continuing benefits for members who are confined to an acute-care hospital on the date of insolvency until they are discharged. Plan benefits will continue for any member until the end of the contract period for which premiums has been paid.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service data base?

Yes[X] No[ ]
- 7.2 If no, give details:
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year

..... 5,795
- 8.2 Number of providers at end of reporting year

..... 5,946
- 9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[ ] No[X]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months

..... 0
- 9.22 Business with rate guarantees over 36 months

..... 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes[X] No[ ]
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses

\$ .....
- 10.22 Amount actually paid for year bonuses

\$ .....
- 10.23 Maximum amount payable withholds

\$ ..... 1,617,612
- 10.24 Amount actually paid for year withholds

\$ ..... 742,894
- 11.1 Is the reporting entity organized as:
- 11.12 A medical Group/Staff Model,

Yes[ ] No[X]
- 11.13 An Individual Practice Association (IPA), or,

Yes[ ] No[X]
- 11.14 A Mixed Model (combination of above)?

Yes[ ] No[X]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes[X] No[ ]
- 11.3 If yes, show the name of the state requiring such net worth.  
Michigan
- 11.4 If yes, show the amount required.

\$ ..... 19,081,250
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes[X] No[ ]
- 11.6 If the amount is calculated, show the calculation.

12. List service areas in which the reporting entity is licensed to operate:

1
Name of Service Area
Livingston, MI .....
Washtenaw, MI .....
Oakland, MI .....
Macomb, MI .....
Wayne, MI .....
St. Clair, MI .....

FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	3 2003	4 2002	5 2001
<b>BALANCE SHEET ITEMS (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 26) .....	72,573,296	66,580,523	57,573,389	55,779,322	55,834,326
2. Total liabilities (Page 3, Line 22) .....	32,374,024	32,682,483	27,165,782	32,574,237	35,797,983
3. Statutory surplus .....	9,190,892	8,764,820	7,705,306	8,842,484	8,378,448
4. Total capital and surplus (Page 3, Line 31) .....	40,199,272	33,898,040	30,407,607	23,205,085	20,036,343
<b>INCOME STATEMENT ITEMS (Page 4)</b>					
5. Total revenues (Line 8) .....	296,014,942	277,400,057	255,520,538	286,442,742	258,627,838
6. Total medical and hospital expenses (Line 18) .....	264,333,807	246,169,822	219,688,024	247,801,755	233,515,257
7. Claims adjustment expenses (Line 20) .....	3,431,946	3,414,860	1,909,950		
8. Total administrative expenses (Line 21) .....	28,035,643	27,727,407	29,751,064	34,242,767	28,787,420
9. Net underwriting gain (loss) (Line 24) .....	213,546	87,968	4,171,499	994,915	(4,993,590)
10. Net investment gain (loss) (Line 27) .....	1,887,168	546,557	416,137	806,605	1,529,796
11. Total other income (Lines 28 plus 29) .....	4,196,722	2,859,704	2,608,365	1,371,761	683,079
12. Net income or (loss) (Line 32) .....	6,297,436	3,494,229	7,196,001	3,173,281	(2,780,715)
<b>RISK-BASED CAPITAL ANALYSIS</b>					
13. Total adjusted capital .....	40,199,272	33,898,040	30,407,607	23,205,085	20,036,343
14. Authorized control level risk-based capital .....	9,190,892	8,764,820	7,705,306	8,842,484	8,378,448
<b>ENROLLMENT (Exhibit 1)</b>					
15. Total members at end of period (Column 5, Line 7) .....	100,504	102,752	102,251	120,679	129,578
16. Total members months (Column 6, Line 7) .....	1,217,882	1,233,972	1,219,236	1,526,143	1,563,101
<b>OPERATING PERCENTAGE (Page 4)</b>					
(Item divided by Page 4, sum of Lines 2, 3 and 5)x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus Line 19) ..	89	89	86	87	90
19. Cost containment expenses .....	1	1	X X X	X X X	X X X
20. Other claims adjustment expenses .....					
21. Total underwriting deductions (Line 23) .....	100	100	98	100	102
22. Total underwriting gain (loss) (Line 24) .....	0	0	2	0	(2)
<b>UNPAID CLAIMS ANALYSIS</b>					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Column 5) .....	24,729,920	22,110,034	28,518,558	25,883,159	26,735,047
24. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)] .....	27,979,624	24,451,774	28,792,571	27,576,052	30,752,806
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
25. Affiliated bonds (Sch. D Summary, Line 25, Column 1) .....					
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1) .....					
27. Affiliated common stocks (Sch. D Summary, Line 53, Column 2) .....					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Column 5, Line 11) .....					
29. Affiliated mortgage loans on real estate .....					
30. All other affiliated .....					
31. Total of above Lines 25 to 30 .....					



**31      Schedule A - Verification ..... NONE**

**31      Schedule B - Verification ..... NONE**

**31      Schedule BA - Verification ..... NONE**

**32      Schedule D - Summary by Country ..... NONE**

**32      Schedule D - Verification ..... NONE**

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**  
**Allocated by States and Territories**

		1	2	Direct Business Only					
		Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	3	4	5	6	7	8
State, Etc.				Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Deposit-Type Contract Funds	Property/Casualty Premiums
1.	Alabama (AL) .....	No ..	No ..						
2.	Alaska (AK) .....	No ..	No ..						
3.	Arizona (AZ) .....	No ..	No ..						
4.	Arkansas (AR) .....	No ..	No ..						
5.	California (CA) .....	No ..	No ..						
6.	Colorado (CO) .....	No ..	No ..						
7.	Connecticut (CT) .....	No ..	No ..						
8.	Delaware (DE) .....	No ..	No ..						
9.	District of Columbia (DC) .....	No ..	No ..						
10.	Florida (FL) .....	No ..	No ..						
11.	Georgia (GA) .....	No ..	No ..						
12.	Hawaii (HI) .....	No ..	No ..						
13.	Idaho (ID) .....	No ..	No ..						
14.	Illinois (IL) .....	No ..	No ..						
15.	Indiana (IN) .....	No ..	No ..						
16.	Iowa (IA) .....	No ..	No ..						
17.	Kansas (KS) .....	No ..	No ..						
18.	Kentucky (KY) .....	No ..	No ..						
19.	Louisiana (LA) .....	No ..	No ..						
20.	Maine (ME) .....	No ..	No ..						
21.	Maryland (MD) .....	No ..	No ..						
22.	Massachusetts (MA) .....	No ..	No ..						
23.	Michigan (MI) .....	No ..	Yes ..	297,135,394					
24.	Minnesota (MN) .....	No ..	No ..						
25.	Mississippi (MS) .....	No ..	No ..						
26.	Missouri (MO) .....	No ..	No ..						
27.	Montana (MT) .....	No ..	No ..						
28.	Nebraska (NE) .....	No ..	No ..						
29.	Nevada (NV) .....	No ..	No ..						
30.	New Hampshire (NH) .....	No ..	No ..						
31.	New Jersey (NJ) .....	No ..	No ..						
32.	New Mexico (NM) .....	No ..	No ..						
33.	New York (NY) .....	No ..	No ..						
34.	North Carolina (NC) .....	No ..	No ..						
35.	North Dakota (ND) .....	No ..	No ..						
36.	Ohio (OH) .....	No ..	No ..						
37.	Oklahoma (OK) .....	No ..	No ..						
38.	Oregon (OR) .....	No ..	No ..						
39.	Pennsylvania (PA) .....	No ..	No ..						
40.	Rhode Island (RI) .....	No ..	No ..						
41.	South Carolina (SC) .....	No ..	No ..						
42.	South Dakota (SD) .....	No ..	No ..						
43.	Tennessee (TN) .....	No ..	No ..						
44.	Texas (TX) .....	No ..	No ..						
45.	Utah (UT) .....	No ..	No ..						
46.	Vermont (VT) .....	No ..	No ..						
47.	Virginia (VA) .....	No ..	No ..						
48.	Washington (WA) .....	No ..	No ..						
49.	West Virginia (WV) .....	No ..	No ..						
50.	Wisconsin (WI) .....	No ..	No ..						
51.	Wyoming (WY) .....	No ..	No ..						
52.	American Samoa (AS) .....	No ..	No ..						
53.	Guam (GU) .....	No ..	No ..						
54.	Puerto Rico (PR) .....	No ..	No ..						
55.	U.S. Virgin Islands (VI) .....	No ..	No ..						
56.	Canada (CN) .....	No ..	No ..						
57.	Aggregate other alien (OT) .....	X X X ..	X X X ..						
58.	Subtotal .....	X X X ..	X X X ..	297,135,394					
59.	Reporting entity contributions for Employee Benefit Plans .....	X X X ..	X X X ..						
60.	TOTAL (Direct Business) .....	X X X ..	(a)..... 1	297,135,394					
DETAILS OF WRITE-INS									
5701	.....	X X X ..	X X X ..						
5702	.....	X X X ..	X X X ..						
5703	.....	X X X ..	X X X ..						
5798.	Summary of remaining write-ins for Line 57 from overflow page .....	X X X ..	X X X ..						
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above) .....	X X X ..	X X X ..						

(a) Insert the number of yes responses except for Canada and Other Alien.  
Explanation of basis of allocation of premiums by states, etc.:

**SCHEDULE T - PART 2**  
**INTERSTATE COMPACT PRODUCTS - EXHIBIT OF PREMIUMS WRITTEN**  
**ALLOCATED BY STATES AND TERRITORIES**

Direct Business only							
		1	2	3	4	5	6
		Life (Group and Individual)	Annuities (Group and Individual)	Disability Income (Group and Individual)	Long-Term Care (Group and Individual)	Deposit-Type Contracts	
	States, Etc.						Totals
1.	Alabama (AL) .....						
2.	Alaska (AK) .....						
3.	Arizona (AZ) .....						
4.	Arkansas (AR) .....						
5.	California (CA) .....						
6.	Colorado (CO) .....						
7.	Connecticut (CT) .....						
8.	Delaware (DE) .....						
9.	District of Columbia (DC) .....						
10.	Florida (FL) .....						
11.	Georgia (GA) .....						
12.	Hawaii (HI) .....						
13.	Idaho (ID) .....						
14.	Illinois (IL) .....						
15.	Indiana (IN) .....						
16.	Iowa (IA) .....						
17.	Kansas (KS) .....						
18.	Kentucky (KY) .....						
19.	Louisiana (LA) .....						
20.	Maine (ME) .....						
21.	Maryland (MD) .....						
22.	Massachusetts (MA) .....						
23.	Michigan (MI) .....						
24.	Minnesota (MN) .....						
25.	Mississippi (MS) .....						
26.	Missouri (MO) .....						
27.	Montana (MT) .....						
28.	Nebraska (NE) .....						
29.	Nevada (NV) .....						
30.	New Hampshire (NH) .....						
31.	New Jersey (NJ) .....						
32.	New Mexico (NM) .....						
33.	New York (NY) .....						
34.	North Carolina (NC) .....						
35.	North Dakota (ND) .....						
36.	Ohio (OH) .....						
37.	Oklahoma (OK) .....						
38.	Oregon (OR) .....						
39.	Pennsylvania (PA) .....						
40.	Rhode Island (RI) .....						
41.	South Carolina (SC) .....						
42.	South Dakota (SD) .....						
43.	Tennessee (TN) .....						
44.	Texas (TX) .....						
45.	Utah (UT) .....						
46.	Vermont (VT) .....						
47.	Virginia (VA) .....						
48.	Washington (WA) .....						
49.	West Virginia (WV) .....						
50.	Wisconsin (WI) .....						
51.	Wyoming (WY) .....						
52.	American Samoa (AS) .....						
53.	Guam (GU) .....						
54.	Puerto Rico (PR) .....						
55.	U.S. Virgin Islands (VI) .....						
56.	Canada (CN) .....						
57.	Aggregate other alien (OT) .....						
58.	TOTALS .....						

NONE

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

See attached